Salman v. United States, No. 15-628

The Court clarified an important issue of securities law, concluding unanimously today in an opinion by Justice Alito that a tippee who trades on inside information provided by another person cannot escape liability merely because the tipper expected and received nothing of tangible value in exchange for the information. In this case, the defendant’s brother-in-law, an employee of an investment bank, provided a tip to a member of the extended family, who then shared the

information with the defendant.

The Court reaffirmed the “gift-giving standard” articulated in *Dirks v. SEC*, 463 U.S. 646, 664 (1983), that the government need not prove that an insider who makes a gift of information to a relative or friend received any additional, tangible benefit. In so holding, the Court rejected one of the holdings of the well-publicized decision in *United States v. Newman*, 773 F.3d 438 (2d Cir. 2014), in which an indirect tippee several steps removed from the original tipper was exonerated.

The Court did not address the alternative holding in *Newman*—that the prosecution lacked evidence

that the defendants in that case knew they were trading on unlawfully obtained inside information.

Where inside information is disseminated beyond a core group of friends or family members, the ultimate trader’s knowledge of the information’s origin can be significant. The knowledge

requirement may well reach the Court in a future case.